

Estimates For 2003 Transitional Pass-Through Drugs and Devices

Table X in CMS-1206-P Changes to the Hospital Outpatient Prospective Payment System (OPPS) for calendar year 2003 payment rates describes our projection for the anticipated transitional pass-through payment for the drugs, biologicals, radiopharmaceuticals and devices that will remain eligible for pass-through payment in calendar year 2003. We utilized 2001 claims data, when available, for procedures, which were likely to use the drugs, biologicals, radiopharmaceuticals or devices. Also, where available, we also used 2001 claims data for actual utilization as reported by hospitals for drugs, biologicals and radiopharmaceuticals. CMS clinical experts' judgments were also incorporated to determine projected utilization.

Drugs, Biologicals and Radiopharmaceuticals

- Estimating Pass-Through Payment Amounts:

To determine the projected 2003 pass-through payment portion for drugs, biologicals and radiopharmaceutical drugs, we applied the acquisition percentages that we developed using 2001 charge data and the Average Wholesale Price (AWP) as established in the July 2001 Redbook. The methodology of how we derived these payment amounts and percentages are described in CMS- 1206-P.

- Estimating Utilization:

We used various sources to derive the anticipated drug, biological and radiopharmaceutical utilization for calendar year 2003. The methodology is as follows: Echocardiography Contrast (A9700) and Perflutren (C9112). We used the 2001 stress test utilization (that is the number of times hospitals reported HCPCS 9304, 93024, 93017 & 93308). We assumed that approximately 2/3 of the 2001 volume for stress testing would receive contrast. We apportioned the resulting number equally between A9700 and C9112 and applied the inflation factors described below.

Darbepoetin alfa (C1774). Since C1774 first became eligible for transitional pass-through status in 2002, we did not have claims data for this code. As a proxy we used claims data for Non ESRD Epoetin (Q0136) to estimate the 2003 utilization. We attributed 50% of 2001 volume for Non ESRD Epoetin (Q0136) to Darbepoetin alfa (C1774) and applied the inflation factors described below.

Pegfilgrastim (C9119). We assumed that 80% of the 2001 volumes for Filgrastim (J1441 & J1440) would convert to the longer acting version. The 2003 payment rate is based on the difference between the Pegfilgrastim payment amount and the average of the median cost of J1440 & J1441. We also reduced the 2001 Filgrastim volumes (J1440 & J1441) by 1/3 to reflect the need for 3 doses for filgrastim versus one dose of the longer acting Pegfilgrastim.

I-131 capsule (C1064) and I-131 solution (C1065). Since the majority of beneficiaries utilize I-123 for thyroid disorders, we assumed that 10% of the 2001 volume for thyroid testing would be attributable to I-131. We utilized the 2001 volumes for HCPCS 78000,

78001, 78006, 78007, & 78020. In addition we calculated average doses for Graves Disease with 50% of the doses at 15 mCi and 50% at 15mCi. For thyroid cancer the doses were calculated as 50% at 150 mCi and 50% 200 mCi. We then apportioned the resulting volume equally between the capsule and solution forms of I-131 (C1064 & C1065 respectively). Inflation factors described below were applied.

TC 99M oxidronate (C1058), FDG (C1775), and Leuprolide (J9219). We utilized the 2001 volumes for these drugs and applied inflation factors described below.

Alemtuzumab (C9110). Since the 2001 utilization reflected a 3 month period, we determined that we would project a comparable volume for 2003 until we obtained additional information to identify the number we should subject to the inflation factors.

Y-90 Zevalin and IN-111 Zevalin. Since there were no comparable radiopharmaceuticals where volumes could be derived, we utilized the information provided by the manufacturer and from a preliminary literature review, to derive our utilization projection. In addition, since there is no comparable drug currently receiving transitional pass-through payments, we determined the payment rate to be 95% of AWP. Since this was new volume, no inflationary factor was applied.

Where indicated, an inflation factor was applied to the 2001 volume estimates to achieve the anticipated utilization for 2003. An inflation factor of 1.1021 was applied to the 2001 volumes and 1.1151 for 2002.

We are in the process of determining volume projections for the remaining drugs, biologicals and radiopharmaceuticals that will continue to receive transitional pass-through payments. We welcome comments to assist us in determining these utilization projections as well as to the projections we have determined.

Pass-through Devices

The pass-through device estimates for payments in 2003 were developed for 5 categories, two of the initial categories that are still in effect during 2003 and 3 new categories that became effective July 1, 2002.

The 2003 payment estimates for the 2 existing categories, C1765, adhesion barrier, and C2618, cryoablation probe, are based on actual Medicare payments for the last half of 2001 when these categories were in effect. Payments were adjusted for the full year and then increased to 2003 levels based on overall expected increases in utilization.

The 2003 cost estimates for three new categories (C1783, C1888 and C1900) were based on CMS claims data for procedures likely to be used with the devices and judgments of CMS clinical experts regarding the utilization. We also used information on retail prices of devices and considered the estimated utilization provided in the pass-through category applications.

HCPCS procedure codes 66170 and 66999 were used to estimate costs for *C1783*. HCPCS 37204 was used for *C1888*. A CPT code for the procedure used for *C1900* will not be effective until January 1, 2003. We estimated the utilization of the devices in the 3 new categories by first estimating 2001 utilization of the procedures associated with the device and then estimating the frequency of the device use associated with those procedures. We then increased the utilization to 2003 estimated levels, based on overall expected increases in utilization. To derive the 2003 estimated utilization, we applied an inflation factor of 2.12% to 2001 utilization volumes.

For the new category devices, where applicable, we applied the offsets described elsewhere in CMS-1206-P.